includes[19]. In subsequent submissions, AT&T provided the precise formula that it applies to determine the net settlement element of LRIC[20] associated with provision of an international minute, and also provided its actual 1994 international traffic (including inbound/outbound ratios).[21]

MCI has used CT 360 primarily for Mexico Off-Peak period traffic (the route that is least profitable to AT&T is, as AT&T predicted, most used by MCI). AT&T has lost $2,206,566 on five months of MCI's CT 360 usage. These losses are rising at an escalating rate -- over $1 million is attributable to MCI's August usage alone.[22] Even if MCI's usage rose no higher, AT&T would lose more than $30 million over the 30 months remaining in the term, exclusive of its minimum $11.7 million exposure on the free twelfth month (the $11.7 figure assumes just one-tenth of MCI's international usage on CT 360; the figure would increase to $117 million or more on all of it).[23]

Issue I: What "substantial cause" showing is AT&T required to make to justify proposed changes to a contract tariff for streamlined business services that are opposed by a customer

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19 Transmittal Attachment A.

20 AT&T's March 24 Letter.

21 AT&T's April 11 Letter.

22 MCI has gone from seven to seventeen T-1's in the past 30 days.

23 Transmittal at p. 5 and Attachments 1 and 2; AT&T's June 2 Letter at p. 2. Most likely, even this number is low; MCI could develop promotions, at AT&T's sole expense, that would enable it to place substantially more traffic over the plan during its "free" twelfth month.

that acquired service under the contract tariff as a generally available offering?

As clearly established in Showtime, the substantial cause test is simply a tool utilized to assist in determining whether a filed tariff is within the zone of reasonableness. Designation Order at p. 6. It enables the Commission to balance the carrier's interest (and right under the Communications Act) to establish and change the terms under which it chooses to do business with its customers, against customer expectation interests created when a customer commits to a term plan and sacrifices its own ability to walk away. Showtime; RCA American, Inc., 86 FCC 2d 1197, 1201 (1981) ("RCA Americom")..

Two points are obvious from the above. First, as the Commission has moved from traditional to streamlined regulation of competitive services, the standard for whether a tariff falls within a zone of reasonableness also changes. No longer can a relevant test, for example, be whether the tariff change is necessary to enable the carrier to earn its authorized rate of return. Instead, given the lessened degree of regulation for streamlined, competitive services, the test of reasonableness itself becomes more relaxed, as does any corollary test (such as substantial cause) used to help define what is reasonable. For streamlined, competitive services, a carrier should only be required to demonstrate as its prima facie substantial cause showing that it has offered a commercially reasonable explanation of its decision to alter the terms pursuant to which it offers service. As the Commission has recognized, in a competitive model, formal FCC regulation is replaced by marketplace regulation; if any carrier develops a reputation for not honoring its commitments, marketplace regulation of that carrier will be swift and certain.[24] Certainly, under this (or any other reasonable standard), correcting a mistaken offering to bring tariff rates to above costs is "within the zone of reasonableness".

The second obvious point is that there is only a basis for infringing upon a carrier's right to select or alter the terms upon which it chooses to do business if the carrier, within the tariff[25], creates a reasonable expectation that it has made a commitment, supported by

[24] See In re Competition in the Interexchange Marketplace, CC Docket 90-132, Order on Reconsideration (February 17, 1995) para. 24, slip op. at 12): "[T]here should be few incidents, if any, of unilateral, material revisions to a contract deal . . . If a carrier attempts making such changes, it risks losing the future business of the affected customers and damaging its own reputation in the marketplace."

[25] The law is clear that the tariff establishes the rights and responsiblities between the parties, and that these terms may not be expanded or altered by separate contract. Maislin Industries, U.S. v. Primary Steel, 497 U.S. 116, 126-27 (1990). The tariff "represents the whole duty and the whole liability of the company. It could not be varied by agreement . . . or by lack of agreement." Western Union Tel. Co. v. Estere Bros. & Co., 256 U.S. 566, 572 (1921).

mutual undertakings of carrier and customer, not to alter those terms. In most generally available tariff offerings, no mutuality of commitment exists, and the carrier should remain free to alter the terms of its offerings as it chooses, just as the customer remains free to cease taking service as it so chooses. However, in circumstances where the customer reasonably has relied on a carrier's existing terms in signing up for a fixed period or volume of service, and has through its commitment given up its right to walk away, it is appropriate to expect the carrier to carry a heavy burden of demonstrating that it nevertheless is commercially reasonable to "change the deal".[26]

Applied here, these principles compel a finding that AT&T's showing of financial losses satisfy the substantial cause test. AT&T has demonstrated that the tariff, if not changed, will cause it to lose substantial

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[26] The Designation Order asks (para. 16) that AT&T discuss FCC precedents stating that customer reliance is not a "prerequisite" to application of the substantial cause test. AT&T has no quarrel with such precedents. The FCC's decisions, however, are clear that in applying the substantial cause test (as opposed to determining whether to apply the test), the substantive analysis to be performed involves a balancing of carrier interests against customer expectation interests. Showtime, 932 F.2d at 3; see also RCA Americom, Inc., 86 F.C.C.2d 1197, 1201 (1981)("RCA Americom"). In this analysis, once the carrier offers a showing of harm to itself, the issue of reasonable expectations, or reliance, becomes a critical factor in the equation. This is analogous to commercial contract law, where and offer by one party is only enforceable if supported by bargained-for consideration in exchange or reasonable reliance on the promise by the other. Williston on Contracts §§7.3-7.5 (4th Ed. 1992)

sums of money. It is within the zone of reasonableness that it be able to revise the rates to some level reasonably above its costs. To rebut this prima facie showing, MCI offers no expectation interests to affect the balance. It ordered service from a generally available tariff; it did not negotiate the terms of service. Nor was there any mutuality of commitment or detrimental reliance by MCI; AT&T's tariff revisions were filed before MCI began taking service and made clear that MCI was not bound to the deal -- MCI was provided the option to terminate without liability. In the absence of any customer commitments sought and obtained by AT&T, and in the absence of any reasonable detrimental reliance by MCI, there is nothing to support the balance of interests on the customer side.[27]

This situation is unlike that which would exist where a customer had bargained for a particular set of tariff terms, and had bound itself to take service pursuant to those terms for a period of time. In such a case, the legal balancing test would not change, but the customer's expectation interest would weigh heavy, and the principle of mutual commitments would impose a difficult burden of

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27 Again, the same result would follow from application of contract law principles. Without either mutual assent coupled with the exchange of bargained-for value, or detrimental reliance, AT&T would have a right to withdraw its original mistaken "offer". Id.

justifying that a unilateral change adverse to the customer was commercially reasonable. Similarly, had the change occurred well into the term of service, a customer might have been able to show that a change would significantly affect business plans they had made based on assumptions of continuity. Again, here we have the unusual situation where the customer neither negotiated the particular terms in exchange for some commitment by it, nor relied upon those terms prior to notice of the change. Consequently, there is no customer interest to weigh against the interests of the carrier.

Issue II: Assuming that AT&T may show "substantial cause" to revise Contract Tariff No 360 by demonstrating economic loss if Transmittal No. 3076 does not become effective, what is the relevant universe to be considered in determining whether AT&T is recovering its costs?

The Designation Order asks whether AT&T's losses on CT 360 are properly examined by looking only at MCI's potential usage on CT 360[28], or in one of the following alternative ways:

> . . . [F]irst, whether AT&T recovers its costs for all services provided to MCI; second, whether AT&T recovers its costs for all AT&T international services provided to MCI;

[28] Of course, if any mandated revisions cause the tariff to be made generally available, the universe of losses may be greatly expanded. As shown in response to Issue VI, even if the FCC ordered revisions, no such renewed availability should be required.

third, whether AT&T recovers its costs for all services of the sort referenced in CT 360.

To avoid discrimination, and to retain the necessary connection with commercial reality, the relevant universe to be considered in determining whether AT&T is recovering its costs must remain CT 360, as it is likely to be used by MCI[29]. Any other result would require the lawfulness of a tariff to be determined not on the tariff's own merits, but in conjunction with a host of other tariffs, some of which, for instance, might not be available to other customers of the tariff at issue. Such a radical departure from existing practice could open endless possibilities for mischief and discrimination.[30]

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29 If, with respect to Issue VI, the Commission were to determine, contrary to AT&T's showing that the revised version of CT 360 should be made generally available, AT&T's substantial cause to change the tariff would properly be evaluated in light of its additional potential exposure from the below-cost price points and free month. AT&T reemphasizes that it utilized the 10% MCI-traffic figure as an likely example of how the rates and structure of CT 360 would operate to its detriment if used by any customer with an IXC's flexibility in choosing routing. As discussed at length in AT&T's March 24 Letter, the original customer, a reseller, had begun to take selective advantage of the tariff's rate structure, projecting orders of over 100 T-1's from a group of IXC's. If MCI continues its rate of usage concentrating on Mexico, AT&T's total losses will be between $40 and $130 million, depending on the extent to which MCI exploits the free month. Losses on potential other customers' usage simply exacerbate those losses.

30 In response to the direction contained in para. 20 of the Designation Order, slip op. at 10, AT&T has generated Table I, comparing the current rates for CT 360 with those in CT 1289 and 419, demonstrating that overall CT 419 rates for all country destinations compare favorably with CT 360 rates to all destinations, and that CT 1289 offers a few rates that are better than the current CT 360 effective rates. Although AT&T does not consider its profitability on CT 1289 relevant, AT&T has also provided a preliminary cost study on MCI's usage to date on that contract tariff in Attachment C. Because MCI is

(footnote continued on following page)

Moreover, the Communications Act only requires AT&T to demonstrate that this particular tariff is within the zone of reasonableness. To utilize the substantial cause test to require a carrier to incur losses on one tariff, unjustified by any countervailing customer expectation interests regarding that tariff, simply because the carrier could make its losses up on other tariffs, would turn the statutory scheme on its head.

The third alternative, analyzing CT 360 based on whether AT&T recovers its costs of "all services of the sort referenced in contract tariff 360," has at least two fundamental flaws. First, no contract tariff is "like" any other, even if it references the same Tariff 1 or Tariff 2 services as another contract tariff. Further, analysis of whether service offerings in general are above costs would seem irrelevant and bad public policy. As above, the reasonableness of a tariff could not be determined without

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only now being provisioned on CT 419, AT&T has no MCI usage to evaluate under that offering as yet. Because MCI has been using CT 1289 for nearly nine months to carry traffic to virtually every destination in the world, and because the CT 1289 call detail must be manually compiled and then processed with input from at least two software systems, AT&T has not been able to complete a full cost study on CT 1289 before its direct case was due. AT&T is working to complete that study and will file it as soon as it is done. Attachment C, reflecting AT&T's analysis, shows that AT&T is in of the handful of CT 1289 countries that may be close to or just below cost at MCI's August usage levels compared to total revenues from the tariff, whose country routes are overwhelmingly comfortably above costfact recovering its costs on CT 1289.

pursuing an analysis of virtually thousands of other tariffs, departing from the tariff scheme under which the reasonableness of tariff changes is not based on the tariffs own merits.

Each of the three approaches suffers the same flaw. They each propose the creation, after the fact, of ad hoc "baskets" of services that would be forced to subsidize MCI's usage under CT 360. Any such approach would clearly "increase difficulties in allocating exogenous costs. . . [and] unduly restrict AT&T's ability to price efficiently,"[31] and would make an assessment of any individual tariff virtually impossible.

Issue III: Assuming that AT&T is found to have shown "substantial cause" if its costs of providing a service exceed the revenues it generates from a service, what costs may it claim in determining whether a rate is "below cost"?

The appropriate measure of AT&T's costs is LRIC. For international services, LRIC includes net settlement costs, the costs of the international half circuit, and the cost of the domestic leg of the call. AT&T's basic LRIC methodology, exclusive of the net settlements element, was established over 10 years ago with the aid of a

[31] In the Matter of Policy and Rules Concerning Rates for Dominant Carriers, ("*Price Cap Order*") 4 FCC Rcd. 2873, 3065 (1989) (commenting on difficulties posed for proper cost attribution by creation of too many price cap baskets).

distinguished trio of Economists: Professors Baumol, Panzar and Willig; and documented in Tariff Filing Practice 1505. It has long been accepted as complying with Section 61.49(d) filing requirements, and used to determine whether AT&T's net revenues from a service would not be sufficient to cover the costs properly allocable to the service. Id. Similarly, LRIC has been recognized as a proper measure for a multiproduct firm in making pricing decisions[32] and as the floor below which predatory pricing becomes a logical possibility[33]. There can be no question that these cost measures are relevant expenses incurred by AT&T to offer the service. To exclude domestic LRIC and focus on net settlement cost alone would therefore presume AT&T's local access, network and other domestic costs of providing service out of existence.[34]

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32 See generally MCI Communications v. AT&T, 708 F.2d 1081, 1116-1125 passim (7th Cir. 1983):

> . . . [L]ong-run incremental cost has been approved as an economically relevant measure of average total cost for one product produced by a multiproduct firm. Professor Baumol has stated in reply to the sloppy use of the term "average total cost":
>
> By average total cost, [one] surely does not mean fully allocated cost, which is a mare's nest of arbitrary calculations parading as substantive information . . . Consequently, I assume that when [one] requires the price of a good in the long-run to exceed its "average total cost," [one] defines the latter to mean the average incremental cost of the product *including any fixed cost outlays required by the item.* 708 F.2d at 1117.

33 Id., 708 F.2d at 1124-25.

34 LRIC is not, of course, an AT&T invention. Like the average variable cost that the Commission cited in the Matter of Policy and Rules Concerning Rates for Dominant Carriers, Memorandum Opinion and Order, 6 FCC Rcd 665 at 668 (1991). LRIC is "a

(footnote continued on following page)

With respect to the use of projected rather than actual losses can support a substantial cause analysis, there is no basis to distinguish the substantial cause situation from any other proposed rate change. As the Commission recognized in the *Price Cap Order,* "a need to make predictions [is no] basis for finding a regulatory process fatally flawed . . . under rate of return regulation this Commission is required to make predictions almost on a daily basis about all aspects of dominant carrier operations, from their construction proposals to the estimates of future costs and demand that form the basis for carriers' proposed tariff revisions." 4 Fcc Rcd at 2898. Indeed, any other conclusion would require -- as has happened here -- that the carrier suffer unrecoverable losses in order to demonstrate that it will be injured should the tariff not be changed. This logic would result in pyrrhic victories for carriers, contrary to the Commission's established practice of judging tariff reasonableness based on projected costs, usage, revenues and the like.

Issue IV: Is there substantial cause for altering Contract Tariff No. 360 to place a maximum limit on the customer's

(footnote continued from previous page)

basic economic concept, and its measurement is a relatively straightforward task." See generally MCI v. AT&T, 708 F.2d at 1114-1115 (discussing differences among average variable cost, marginal cost, and LRIC).

traffic under the free month promotion? If so, what should that limit be?

Under the particular formulation contained in CT 360, AT&T would receive no revenues for service provided during the twelfth "free" month. By contrast, most other AT&T tariffs comport with the industry practice that the "free month" provision usually is shorthand for a credit in an amount approximating a month's worth of usage, measured in the context of the calling plan in which the credit is offered. AT&T contract tariffs cap "free months" of usage at a wide range of levels, between 50% and 150% of the average prior monthly usage.[35] Alternatively, in individual negotiated deals, the cap is sometimes set at one-twelfth of the original customer's annual predicted run rate -- which may diverge from the stated annual or monthly commitment because the particular customer may not be willing to commit to so much. In addition, the provision and limits on "free

[35] Thus, CT 699, a three-year deal, offers annual credit not to exceed $8,200 in an amount equal to the average monthly usage at the end of each year (MARC = $240,000, so the cap is set at under 50% of 1/12 the MAC); CT 715 offers usage credits in the amount of average monthly usage not to exceed $15,000 in each of the fifth and fourteenth months (MARC = $120,000, so the up to $30,000 of credits represent 25% of the total MARC; however, the credits in this tariff were designed to effectuate discounts that were not able to be applied in real-time by AT&T's billing system at the time the tariff was filed); CT 800 offers a credit not to exceed $45,000 in the amount of average monthly usage (MARC = $360,000); CT 995 offers two annual credits in the amount of 8% (approximately 1/12) of total billed usage, capped at 150% of the Net Monthly Revenue Commitment, as well as a similar credit in the amount of actual usage in the third month also capped at 150% of the NMUC, and subject to repayment if monitoring conditions are not met. See also Transmittal at p. 5, n. 13.

month" monthly credits should be evaluated in the context of the entire deal. For example, some contract tariffs contain such credits in lieu of discounts, according to customer preference or other factors.

In the present case, in contrast, there are no caps. AT&T, which has already lost over $2 million on MCI's actual usage, could lose an additional $11.7 - $117 million or more at MCI's current usage rates because of the uncapped "free month".[36] The $205,000 cap set in Transmittal CT 3076 is set at 125% of the first year MAC in order to approximate a commercially reasonable cap in line with AT&T's usual practice. There is no algorithm that yields a particular "correct" cap, but clearly the proposal here, in line with both AT&T and industry norms, is within the zone of reasonableness. Moreover, it should be recognized that the $205,000 cap was set in the context of a revised CT 360 whose profitability was assured by the changes in the Transmittal. When it is recalled that MCI has already received the equivalent of $2 million in unpaid service, it is clear that, if any change were to be made now, there would be ample substantial cause to reduce the amount of added "free" service to zero. A fortiori, AT&T has established substantial cause to cap the free month credit at $205,000.

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[36] See note 23 and text at p. 5.

Issue V: Is there substantial cause for altering Contract Tariff No. 360 to increase the contract rates, place limits on the percentage of traffic that can go to particular countries, eliminate volume and term discounts, and place a maximum limit on a customer's total usage under the contract tariff?

AT&T has substantial cause to the contract rates and eliminate term and volume discounts:

In the Transmittal and its Attachments, and through its many subsequent submissions, AT&T has demonstrated that the current CT 360 rates are below cost, that the revised rates are only slightly above cost, and that the new offer compares favorably with MCI's other service with AT&T. As reconfirmed below, the "repeated challenges" to AT&T's cost predictions[37] have not "been persuasively challenged."[38] AT&T's LRIC data have been calculated in accordance with the same economically valid methodology that has been utilized in Commission filings for over a decade, subject to ongoing refinement and updates.[39] The effect of current term and volume discounts in driving 21 countries below cost is documented in Attachment 1 to the Transmittal. AT&T does not attempt to establish substantial cause with regard to "limits [on] traffic . . . to particular countries because

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[37] Suspension Order at para. 20, slip op. at 11.

[38] Designation Order at para. 25, slip op. at 13.

[39] See note __, *supra.*

AT&T has withdrawn those limits after resolving its service issues with the original customer. The pending tariff revisions do not contain any country-specific limits.[40]

As for the limits on the customer's usage subject to the CT 360, these are justified by the need, in light of how close to cost the rates remain, to guard against future exposure to below-cost calling, in the event that factors such as the worsening imbalance ratio drive costs up more than five percent over the remaining term.[41] Moreover, it must be remembered that MCI has offered no countervailing customer interests that offset AT&T's showing of injury. Thus, the inquiry is not whether 3%, or 5%, or 7%, or 10% above LRIC is the perfect number for rates; the issue is whether a modest 5% above LRIC (a level well below the cost of capital) is within the zone or reasonable rates under the circumstances. The answer is clearly "yes."

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[40] In adjusting the rates to bring them above cost, AT&T deleted the volume and term discounts that plunged 26 countries below cost because these discounts cannot be applied on a single country basis. As demonstrated below, however, only the country routes that were below cost (even before discounts) were raised, and then to just above cost.

[41] The practice of limiting the discounts provided to a certain level in an individually negotiated deal is, of course, also a commercially reasonable practice useful in tailoring the discounts provided to the consideration provided by the customer -- the customer's usage commitment. After all, CT 360 is the product of just such a failure to scale the extraordinary discounts provided to the customer's relatively small commitment level.

AT&T's Loss Analysis has not been persuasively challenged

As noted, AT&T's loss analysis has not been persuasively challenged. Table II, attached sets forth each and every analytical challenge that AT&T has received from the Staff or from MCI since the Transmittal was filed, together with a summary of AT&T's rebuttal of each and every one. It is perhaps the height of irony that most of AT&T's submissions have been directed to relatively minor quibbles concerning whether AT&T's losses might actually be a little less than projected, or whether its costs might go down over time, or whether MCI might use CT 360 exactly as AT&T predicted or some other way. No party disputed the substantial loss on the free month. No party disputed, other than in a conclusory and non-analytical way, whether AT&T's LRIC was sound, whether its method of calculating net settlement cost was proper, or whether the 47 countries were truly below its LRIC. Although Ken Stanley's Analysis and Memo did not take into account the existence of AT&T's non-settlement LRIC elements, no attempt was made to justify evaluating CT 360 profitability without them.

MCI itself has not seriously questioned the validity of AT&T's LRIC. Its conclusory statement, in its May 26 Letter, that AT&T's non-settlement LRIC elements "predominantly represent embedded overhead related expenses that could be incurred by AT&T regardless of incremental volumes" is merely a definition of the distinction between the economic concepts of LRIC and average variable cost.

The concept of LRIC by definition includes allocation of the types of fixed expenses to the minutes of service for whose provision the expenses were incurred; it is thus a more realistic measure of cost than average variable cost or marginal cost, which does not reflect the long run cost of providing the service.[42]

MCI's May 26 Letter also questioned the derivation of the net settlement component of LRIC, asking, (1) What were the inbound/outbound traffic ratios used for each country?, (2) What was average net settlement per minute before the impact of the forecasted inbound/outbound ratios?, (3) What assumptions were used for accounting rate reductions? The answers are simple:

(1) AT&T's imbalance ratios for its net settlement calculations are derived from forecasts based on the same data that it ultimately files with the Commission pursuant to §43.61, as follows: AT&T's forecast inbound/outbound ratios used in the calculation of average netsettlement

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[42] . *Compare Price Cap Order at 4 FCC Rcd 2924 para. 15, discussing marginal cost, which it elsewhere describes as a "surrogate" for average variable cost (at 4 FCC Rcd at 3115)* "[T]heoretically the most economically efficient set of prices a producer could charge would be based on marginal cost. [n. 174: Of course, in reality it is impossible for every rate to be set at marginal cost in the long run, since no fixed costs would be recovered.], *with MCI Communications v. AT&T,* 708 F.2d at 1117, establishing that ". . . [L]ong-run incremental cost has been approved as an economically relevant measure of average total cost for one product produced by a multiproduct firm."

expense are based on the US billed and foreign billed minute forecast contained in the current year business plan. The forecasts are developed using prior year §43.61 traffic as a baseline, plus a projection of the growth in US billed and foreign billed traffic, and reflect both the impact of contemplated AT&T marketing programs and US/foreign industry growth. This follows standard business practice in the industry.

(2) average net settlement per minute of an incremental minute cannot be divorced from a forecasted inbound/outbound ratio -- otherwise, it would not be "net" settlement; and

(3) AT&T's accounting rate reduction assumptions are based on the terms of AT&T's publicly filed operating agreements, combined with historical trends.

Issue VI: If we find that AT&T has successfully shown substantial cause and we allow the proposed contract revision to become effective, should AT&T make available the revised version of Contract Tariff 360 to additional customers?

There is no requirement to make CT 360 generally available for a 90-day window yet another time. The ordering window has been established by Commission practice to insure non-discrimination through general availability. That has already occurred: indeed, CT 360 was available to the general public for an entire 90-day period from

September 13, 1994 through December 12, 1994. Only MCI chose to order and take the service at that time.[43]

Should the Commission -- contrary to the showing made above -- conclude that further revisions to CT 360 are warranted, this determination could only be based on a finding that the balancing of the carrier's (AT&T's) and customer's (MCI's) expectations require a tariff solution different than that proposed by AT&T, that finding itself would be unique to the circumstances presented by MCI, and shared by no other customer. Very clearly, no other customer initiated service in the window when MCI did, nor presents the same facts that would drive the particular balance of equities, and the associated tariff revisions that might here be required by the Commission. There are no similarly situated customers in these circumstances; thus, requiring AT&T to re-offer the service to yet other customers is not compelled by Section 202.

[43] Although a two other customers ordered CT 360 that last time it was opened, each of them has resolved its order for the service by entering into other arrangements with AT&T or other carriers.

CONCLUSION

For all of the foregoing reasons, the Commission should find that AT&T has demonstrated substantial cause. This investigation should be terminated promptly and the tariff revisions in AT&T Transmittal CT No. 3076 permitted to go into effect without delay.

Respectfully submitted,

AT&T CORP.

By: ________________________

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Dated: September 25, 1995

In re Revisions to Contract Tariff FCC No. 360,
Contract Tariff Transmittal No. 3076, CC docket No. 95-146
AT&T'S DIRECT CASE

ATTACHMENT A

MCI CT 360 Usage through 5/1/95

AT&T Losses: ($199,916) **AT&T Revenues:** $147,827

Billed Usage Mexico

Using AT&T Cost Figures					AT&T			AT&T		
			List	Discounted	Net Settlement		Gain	LRIC		Gain
Rate Period	Minutes	Messages	Revenue	Revenue	Per Min	Totals	(Loss)	Per Min	Totals	(Loss)
Standard	75,509	6,617	$51,346	$41,128	$0.4593	$34,681	$6,447	$0.5767	$43,546	($2,418)
Economy	630,984	74,558	$119,887	$106,699	$0.3733	$235,546	($128,847)	$0.4821	$304,197	($197,498)
Total	706,493	81,175	$171,233	$147,827		$270,228	($122,400)		$347,743	($199,916)

MCI CT 360 Usage 5/1 through 5/31/95

AT&T Losses: ($278,574) **AT&T Revenues:** $448,705

Billed Usage Mexico

Using AT&T Cost Figures					AT&T			AT&T		
			List	Discounted	Net Settlement		Gain	LRIC		Gain
Rate Period	Minutes	Messages	Revenue	Revenue	Per Min	Totals	(Loss)	Per Min	Totals	(Loss)
Standard	565,443	96,621	$384,501	$307,985	$0.4593	$259,708	$48,278	$0.5767	$326,091	($18,105)
Economy	832,169	96,097	$158,112	$140,720	$0.3733	$310,649	($169,929)	$0.4821	$401,189	($260,469)
Total	1,397,612	192,718	$542,613	$448,705		$570,357	($121,651)		$727,280	($278,574)

MCI CT 360 Usage 6/1 through 6/30/95

AT&T Losses: ($226,477) **AT&T Revenues:** $157,788

Billed Usage Mexico

Using AT&T Cost Figures					AT&T			AT&T		
			List	Discounted	Net Settlement		Gain	LRIC		Gain
Rate Period	Minutes	Messages	Revenue	Revenue	Per Min	Totals	(Loss)	Per Min	Totals	(Loss)
Standard	62,065	4,937	$42,204	$34,185	$0.4593	$28,506	$5,679	$0.5767	$35,793	($1,607)
Economy	722,821	88,224	$137,336	$123,602	$0.3733	$269,829	($146,227)	$0.4821	$348,472	($224,870)
Total	784,886	93,161	$179,540	$157,788		$298,336	($140,548)		$384,265	($226,477)

MCI CT 360 Usage 7/1 through 7/31/95

AT&T Losses: ($482,459) **AT&T Revenues:** $278,422

Using AT&T Cost Figures					AT&T			AT&T		
Billed Usage			List	Discounted	Net Settlement		Gain	LRIC		Gain
Rate Period	Minutes	Messages	Revenue	Revenue	Per Min	Totals	(Loss)	Per Min	Totals	(Loss)
Mexico:										
Standard	18,236	598	$12,400	$10,044	$0.4593	$8,376	$1,669	$0.5767	$10,517	($472)
Economy	1,546,644	173,756	$293,862	$264,476	$0.3733	$577,362	($312,886)	$0.4821	$745,637	($481,161)
India:										
Standard	3,022	646	$2,459	$1,992	$0.6626	$2,002	($11)	$0.8465	$2,558	($566)
Economy	2,562	330	$2,122	$1,909	$0.6626	$1,698	$212	$0.8465	$2,169	($259)
Total	1,570,464	175,330	$310,843	$278,422		$589,438	($311,016)		$760,881	($482,459)

MCI CT 360 Usage 8/1 through 8/31/95

AT&T Losses: ($1,019,140) **AT&T Revenues:** $912,969

Using AT&T Cost Figures					AT&T			AT&T		
Billed Usage			List	Discounted	Net Settlement		Gain	LRIC		Gain
Rate Period	Minutes	Messages	Revenue	Revenue	Per Min	Totals	(Loss)	Per Min	Totals	(Loss)
Mexico:										
Standard	530,969	108,404	$361,059	$292,458	$0.4593	$243,874	$48,584	$0.5767	$306,210	($13,752)
Economy	3,160,241	343,051	$600,446	$540,401	$0.3733	$1,179,718	($639,317)	$0.4821	$1,523,552	($983,151)
India:										
Standard	111,264	26,530	$90,064	$72,952	$0.6626	$73,724	($771)	$0.8465	$94,185	($21,233)
Economy	9,643	1,428	$7,954	$7,158	$0.6626	$6,389	$769	$0.8465	$8,163	($1,004)
Total	3,812,117	479,413	$1,059,523	$912,969		$1,503,705	($590,736)		$1,932,110	($1,019,140)

ATTACHMENT B

[illegible]
From [illegible] Moore
[illegible]

WORLDFORCE™ INTERNATIONAL PLAN

Retail

RATE SCHEDULES

7/26/95

Choose one of the eight customized rate schedules which reflects the country or countries you call most frequently. Rates which apply to countries not included in your custom rate plan are presented on the "Rest Of The World" rate schedule.

$250.00 minimum on a 1 yr plan

LDDS WORLDCOM

Voice Data Video

FEATURES AND BENEFITS

Worldwide calling to more than 230 countries, with special rates to countries called most frequently
One simple time period with the same rates anytime
Billing in 6-second increments after initial 30 seconds

CLOSE TO HOME

COUNTRY	COUNTRY CODE	SWITCHED RATE	DEDICATED RATE
CANADA	N/A	$0 20	$0 17
JAPAN	81	$0 36	$0 33
MEXICO (See Below)	52		

Rates shown per minute

MEXICO

	Switched		Dedicated	
Rate Step	Peak Rate	Off-Peak Rate	Peak Rate	Off-Peak Rate
1	$0 28	$0 24	$0 25	$0 21
2	$0 31	$0 26	$0 28	$0 23
3	$0 40	$0 32	$0 37	$0 29
4	$0 43	$0 34	$0 40	$0 31
5	$0 48	$0 37	$0 45	$0 34
6	$0 53	$0 41	$0 50	$0 38
7	$0 67	$0 48	$0 64	$0 46
8	$0.71	$0.53	$0.66	$0 50

Peak: 7 00 AM - 6 59 PM (M - F)
5 00 PM - 11 59 (SUN)

Off-Peak: 7 00 PM - 6 59 AM (M - F)
All day (SAT) and 12 MIDNIGHT - 4 59 PM (SUN)

Call Timing: 30 second minimum/6 second rounding; rates shown per minute

LDDS WorldCom is one of the four largest providers of long distance and data services, with annual revenues exceeding $3.2 billion and over 150 offices to serve you. We provide a broad range of domestic and international voice, data and fax services to businesses worldwide.

Some restrictions may apply, contact your local office at 1 800 839-2000 or consult applicable tariff for details
Minimum one-year term plan required. Not valid with other promotional offerings
Term plan offered pursuant to FCC Tariff No 1. Rates effective August 1995

LDDS WORLDCOM

Voice Data Video

Fax 290 07/24/95

FEATURES AND BENEFITS

Worldwide calling to more than 230 countries, with special rates to countries called most frequently
One simple time period with the same rates anytime
Billing in 6-second increments after initial 30 seconds

CENTRAL AMERICA & CARIBBEAN

COUNTRY	COUNTRY CODE	SWITCHED RATE	DEDICATED RATE
BAHAMAS	809	$0 30	$0 27
COSTA RICA	506	$0 57	$0 54
CUBA	53	$0 76	$0 73
DOMINICAN REPUBLIC	809	$0 47	$0 44
EL SALVADOR	503	$0 69	$0 66
GUATEMALA	502	$0 55	$0 52
HAITI	509	$0 66	$0 63
HONDURAS	504	$0 62	$0 59
JAMAICA	809	$0 60	$0 57
MEXICO (See Below)	52		
NICARAGUA	505	$0 64	$0 61
PANAMA	507	$0 60	$0 57
TRINIDAD/TOBAGO	809	$0 62	$0 59

Rates shown per minute

MEXICO

	Switched		Dedicated	
Rate Step	Peak Rate	Off-Peak Rate	Peak Rate	Off-Peak Rate
1	$0 28	$0 24	$0 25	$0 21
2	$0 31	$0 26	$0 28	$0 23
3	$0 40	$0 32	$0 37	$0 29
4	$0 43	$0 34	$0 40	$0 31
5	$0 48	$0 37	$0 45	$0 34
6	$0 53	$0 41	$0 50	$0 38
7	$0 67	$0 49	$0 64	$0 46
8	$0 71	$0 53	$0 68	$0 50

Peak: 7 00 AM - 6 59 PM (M - F)
6 00 PM - 11 59 (SUN)

Off-Peak: 7 00 PM - 6 59 AM (M - F)
All day (SAT) and 12 MIDNIGHT - 4 59 PM (SUN)

Call Timing: 30 second minimum/6 second rounding; rates shown per minute

LDDS WorldCom is one of the four largest providers of long distance and data services, with annual revenues exceeding $3 2 billion and over 160 offices to serve you. We provide a broad range of domestic and international voice, data and fax services to businesses worldwide

Some restrictions may apply, contact your local office at 1 800 539-3000 or consult applicable tariff for details.
Minimum one-year term plan required. Not valid with other promotional offerings
Term plan offered pursuant to FCC Tariff No 1 Rates effective August 1995

LDDS WORLDCOM

Voice Data Video

WO[illegible]ATIONAL PLAN

FEATURES AND BENEFITS

Worldwide calling to more than 230 countries, with special rates to countries called most frequently
One simple time period with the same rates anytime
Billing in 6-second increments after initial 30 seconds

EASTERN EUROPE

COUNTRY	COUNTRY CODE	SWITCHED RATE	DEDICATED RATE
BELARUS	7	$0.85	$0.82
BULGARIA	359	$0.81	$0.68
CZECH REPUBLIC	42	$0.73	$0.70
ESTONIA	372	$0.69	$0.66
GREECE	30	$0.60	$0.57
HUNGARY	36	$0.57	$0.54
KAZAKHSTAN	7	$0.85	$0.82
LATVIA	371	$0.69	$0.66
POLAND	48	$0.54	$0.51
ROMANIA	40	$0.77	$0.74
RUSSIA	7	$0.85	$0.82
SLOVAKIA	42	$0.73	$0.70
UKRAINE	7	$0.85	$0.82

Rates shown per minute

LDDS WorldCom is one of the four largest providers of long distance and data services, with annual revenues exceeding $3.2 billion and over 180 offices to serve you. We provide a broad range of domestic and international voice, data and fax services to businesses worldwide.

Some restrictions may apply; contact your local office at 1 800 638-2000 or consult applicable tariff for details.
Minimum one-year term plan required. Not valid with other promotional offerings.
Term plan offered pursuant to FCC Tariff No. 1. Rates effective August 1995.

LDDS WORLDCOM

Voice Data Video